

The attached document was submitted to the  
**Washoe County Board of Commissioners** during  
the meeting held on 10-15-19.  
by Christine Vulecich  
for Agenda Item No. 9  
and included here pursuant to NRS 241.020(8).

# WASHOE COUNTY CAPITAL IMPROVEMENT FUNDING

October 15, 2019



10-15-19

BCC

#9

Christine Vultich



# DISCUSSION FLOW

- What is Capital Budgeting and Why is it Important?
- Recommended Best Practices and Washoe County's Capital Budgeting Policies
- Washoe County's Capital Improvement Plan
- Future Capital Improvements
- Resources for Funding Capital Improvements
- Next Steps

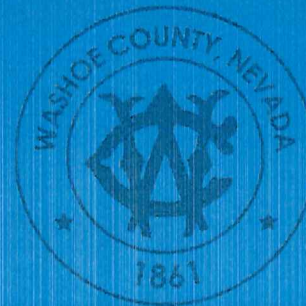




# WHAT IS CAPITAL BUDGETING AND WHY IS IT IMPORTANT?

A Capital Budget is *financial plan* providing the means to obtain and allocate resources, and the methods to effectively deliver publicly determined **needs** for governmental capital assets:

- Land, Improvements to Land, and Easements
- Buildings and Building Improvements
- Machinery, Equipment and Technology Systems
- Infrastructure (roads, storm drainage, treatment plants)
- Works of Art and Historical Treasures
- Other Tangible or Intangible Assets





# WHAT IS CAPITAL BUDGETING AND WHY IS IT IMPORTANT?

## Stakes are High!

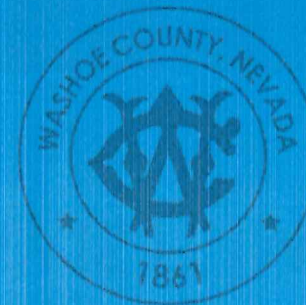
- Capital infrastructure, facilities and equipment are large and expensive
- Special planning, financing and management are called for to ensure projects are **needed**, well designed and efficiently implemented so money invested is well spent.

## Decisions Extend for Years

- Capital assets are long-term investments. Facilities and infrastructure must last and be used by citizens and employees for decades.

## Spending for Capital Assets Varies from Year to Year

- Replacement of long-lived assets occurs infrequently.
- Growth and development often occur in spurts, so infrastructure investments are concentrated in some years and limited in others.





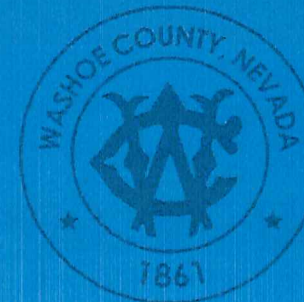
# WHAT IS CAPITAL BUDGETING AND WHY IS IT IMPORTANT?

## Implementation Takes Time

- Capital projects involve careful planning, as to scope and size, design complexity, mitigation of environmental and other risks, which can take from several years to as long as a decade.

## Long-term Debt Financing is Often Required

- Debt term is limited by the type of debt issued and/or the useful life of the asset.
- Debt is a commitment of future revenues (taxes), requiring citizens using the facility or infrastructure in future years to pay for the decisions made today.



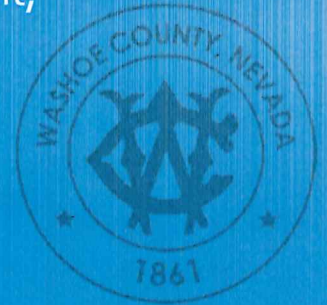


# RECOMMENDED BEST PRACTICES IN CAPITAL BUDGETING

## Multi-year Planning & Adoption of a Capital Improvement Plan (CIP)

- Needs assessment aligned with strategic plan, master plans, infrastructure improvement, maintenance and replacement of existing assets
- Citizens and other stakeholders involvement in capital planning
- Determination of costs based on full extent of the project, including:
  - Adjustments for inflation and impact on ongoing operating budgets
  - Cost-benefit analysis to address value of project benefits over useful life vs. project cost
- Prioritization of capital requests based on policy and risk based methodology

Best practices recommended by the International City/County Managers Association (ICMA) and the Government Finance Officers Association (GFOA)



**ICMA**  
Leaders at the Core of Better Communities



# RECOMMENDED BEST PRACTICES IN CAPITAL BUDGETING

## Plan for Capital Maintenance and Replacement Projects

- Adopt a Financial policy that puts a high priority on maintaining the quality of existing assets with financial resources to accomplish this goal as part of annual budget process

## Organization-wide Master Planning to Provide the Framework to Identify and Make Capital Investment Decisions

- Promotes proper long-term planning and financial sustainability
- Utilizes time horizons longer than annual budget to help anticipate future capital needs
- Identifies what is needed, and provides options, but is dependent upon resources (what we can afford, and desired service levels).

Best practices recommended by the International City/County Managers Association (ICMA) and the Government Finance Officers Association (GFOA)



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# RECOMMENDED BEST PRACTICES IN CAPITAL BUDGETING

## Development of Financing Strategies, Including:

- Types of funding sources that can be used for specific types of projects
- Pay-as-you go funding and debt financing
- Public Private Partnerships, and Regional Partnerships

## Adoption of a Formal Capital Budget

- Adoption as part of annual budget process, and should include capital project summaries, scope of projects, project costs and funding sources, estimated completion dates, and analytical information used to make decisions on projects

Best practices recommended by the International City/County Managers Association (ICMA) and the Government Finance Officers Association (GFOA)



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# WASHOE COUNTY CAPITAL IMPROVEMENT POLICIES

## **Capital Improvement Program Management Policy:**

- Goal of the County's policy on CIP management is to systematically, plan, schedule and finance projects to ensure their cost effectiveness. The CIP will strive to balance between capital needs, capital repair and replacement projects and available resources.

## **Capital Improvement Maintenance and Replacement Policy:**

- Washoe County shall maintain capital improvements to a level required to adequately protect the County's capital investment and to minimize future maintenance and replacement costs.

## **Resource Allocation Policy:**

- Discretionary resources shall be allocated in direct relation to the strategic goals of the Board of County Commissioners (BCC).
- Each proposed capital improvement program project will include a statement describing how the proposed improvement shall accomplish the strategic goals of the BCC.





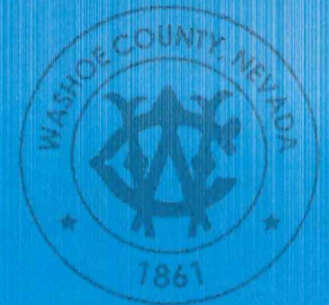
# WASHOE COUNTY CAPITAL IMPROVEMENT POLICIES

## Capital Improvement Funding Policy:

- Revenue resources for proposed capital improvement projects shall be identified in the annual Operating and Capital Improvement Program Budgets.
- Alternative financing methods shall be analyzed.
- Projects financed must first meet an initial test of meeting the County's strategic goals and priorities.
- The County will strive to maintain a high reliance on *pay-as-you go* financing for its capital improvements.

## Washoe County's Strategic Goals:

- Fiscal Sustainability
- Economic Impacts
- Vulnerable Populations
- Employee Engagement





# WASHOE COUNTY CAPITAL IMPROVEMENT PLAN

Washoe County prepares a 5-year CIP, and submits it annually to the *State Department of Taxation*, and the *Washoe County Debt Management Commission*, as required by NRS 354.5945

- Current 5-Year CIP estimated total cost is \$312 M, however some estimated costs may change as further details about the projects are known
- Only FY 2020 (\$149M) has budgeted resources
- Years 2-5 show *planned* projects that are not yet budgeted, and may not have funding identified
- Master Plan projects and other emerging needs are not yet included in the capital improvement plan or the budget



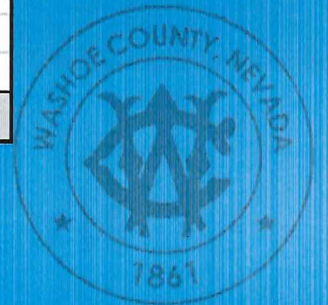


# WASHOE COUNTY CAPITAL IMPROVEMENT PLAN

## WASHOE COUNTY CAPITAL IMPROVEMENTS PLAN FISCAL YEAR 2020-2024 FUND SUMMARY

CAPITAL FUNDS SUMMARY	Year 1 FY 2020	Year 2 FY 2021	Year 3 FY 2022	Year 4 FY 2023	Year 5 FY 2024	Total 5 Years
<b>Fund</b>						
Capital Improvement Fund	30,907,243	23,790,430	5,198,125	4,740,133	5,698,200	70,334,131
Parks Capital Fund	7,318,043	1,825,000	1,900,000	2,800,000	900,000	14,743,043
Capital Facilities Tax Fund	-	-	-	-	-	-
Roads Fund	3,906,000	3,984,120	4,063,802	4,145,078	4,227,980	20,326,981
Other Funds	3,915,120	-	-	-	-	3,915,120
Utilities Fund	98,335,000	12,150,000	18,000,000	26,900,000	26,900,000	182,285,000
Equipment Services Fund	4,824,048	5,318,855	3,759,634	3,582,120	3,255,537	20,740,194
<b>Total Funding Sources and Uses</b>	<b>\$ 149,205,454</b>	<b>\$ 47,068,405</b>	<b>\$ 32,921,562</b>	<b>\$ 42,167,332</b>	<b>\$ 40,981,717</b>	<b>\$ 312,344,469</b>

- Year 1, FY 2020 is budgeted
- Years 2-5 are *planned*, and will require funding/budgeting
- Master Plan projects and emerging projects not yet included in plan





# FUNDS USED TO BUDGET AND ACCOUNT FOR CAPITAL IMPROVEMENTS

## Capital Improvement Fund:

- Projects to maintain or replace existing facilities, major equipment, technology systems, and construction of new capital assets .

## Parks Capital Fund:

- Projects are funded through restricted Residential Construction Taxes, Voter Approved Bonds, Grants and Donations.

## Roads Fund:

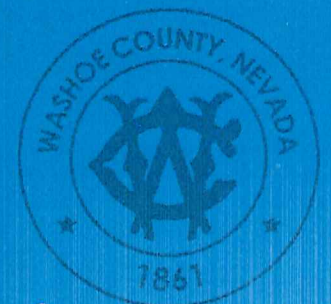
- Projects receive funding from restricted Fuel Taxes, and Capital Facilities Tax Fund.

## Utilities Fund:

- Projects are funded through utility fees and connection charges.

## Equipment Services Fund:

- Fleet replacements are funded through annual service charges in the operating budgets of departments County-wide



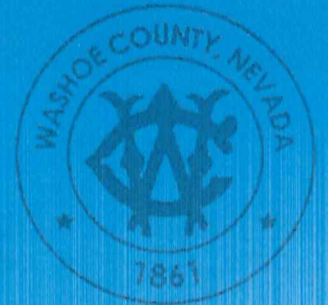


# CAPITAL IMPROVEMENT FUND BUDGET FY 2020

## Capital Improvement Fund:

- Approx. \$5 to \$6 million in General Fund support annually (dropped as low as \$1 million annually during the recession), plus other funding from grants, fees, and pay-as-you-go resources.
- On average able to fund only 40-50% of requests/needs.

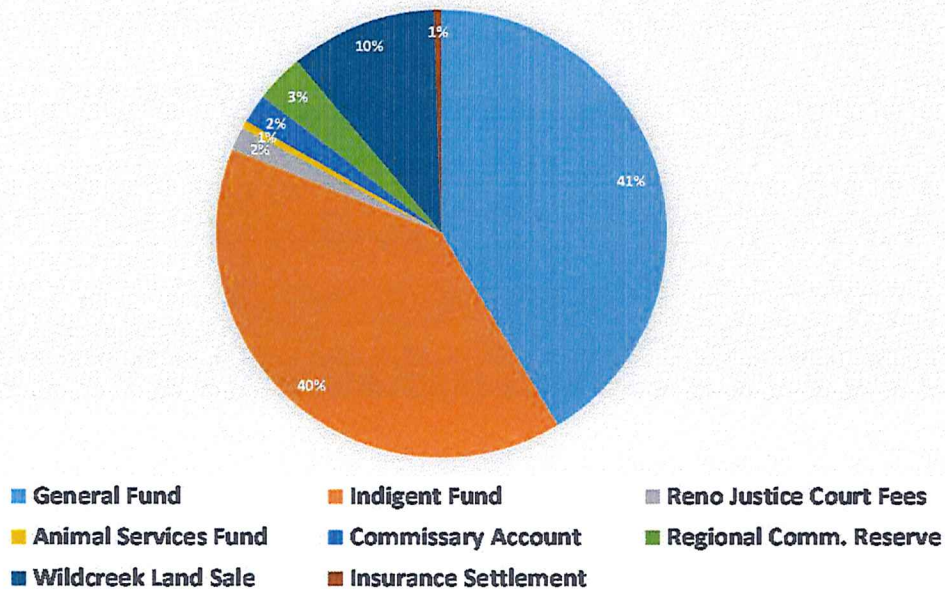
FY 2020 NEW PROJECTS – Capital Improvements Fund	COST
Voters - Additional Election Tablets	\$445,425
RJC Court Hearing Room_Resource Center	\$373,855
911 Parr HU4 HVAC_Roof	\$1,319,000
Animal Services Security Upgrade-Lobby	\$114,345
WCSO Commissary Visitation Rooms	\$455,000
WCSO Detention Infirmary Program Design	\$750,000
P25 Radios	\$250,000
Nevada Shared Radio System	\$1,250,000
350 S Center Street Parking Garage Security Enhancements	\$464,000
Incline Village Above Ground Fuel Tank	\$620,000
NNAMHS Campus Remodel	\$11,000,000
Wildcreek Golf Course Rehabilitation	\$2,250,000
Bartley Ranch Bridge to Marr Property	\$112,318
Parks Public Water System - Ops Plan Improvements	\$550,000
Central Disk Storage System Upgrade (9th Street)	\$335,650
Disaster Recovery Site at Switch, Inc	\$568,174
Disk Backup System Upgrade	\$438,012
Red Rock Facilities	\$121,000
<b>Total FY20 Capital Improvements Projects</b>	<b>\$21,416,779</b>





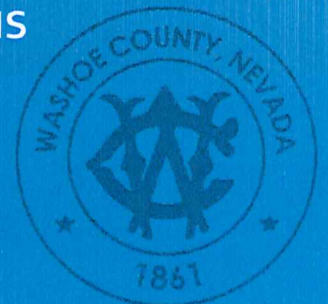
# CAPITAL IMPROVEMENT FUND BUDGET FY 2020

Capital Improvement Fund FY 2020 Budget  
New Projects by Funding Source



FY 2020 General Fund is supporting \$8.8 million, or 41% of Capital Improvement Fund projects:

- \$6.3 million for maintenance and replacement projects
- \$2.5 million for NNAMHS project



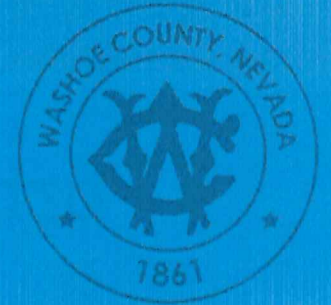


# FUTURE CAPITAL IMPROVEMENT FUND PROJECTS

## Capital Improvement Fund *Planned* Projects Years 2-5

## Emerging Capital Improvement Projects FY 2021- 2040:

- Existing Facilities and Infrastructure Maintenance and Replacement
- Major Equipment Replacements
- Technology Systems Replacements
- New Facilities and Infrastructure – Master Plan Projects, Flood, Storm Water & Other Projects

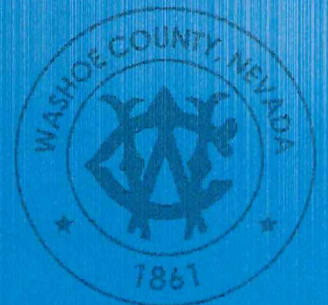




# FUTURE CAPITAL IMPROVEMENT FUND PROJECTS

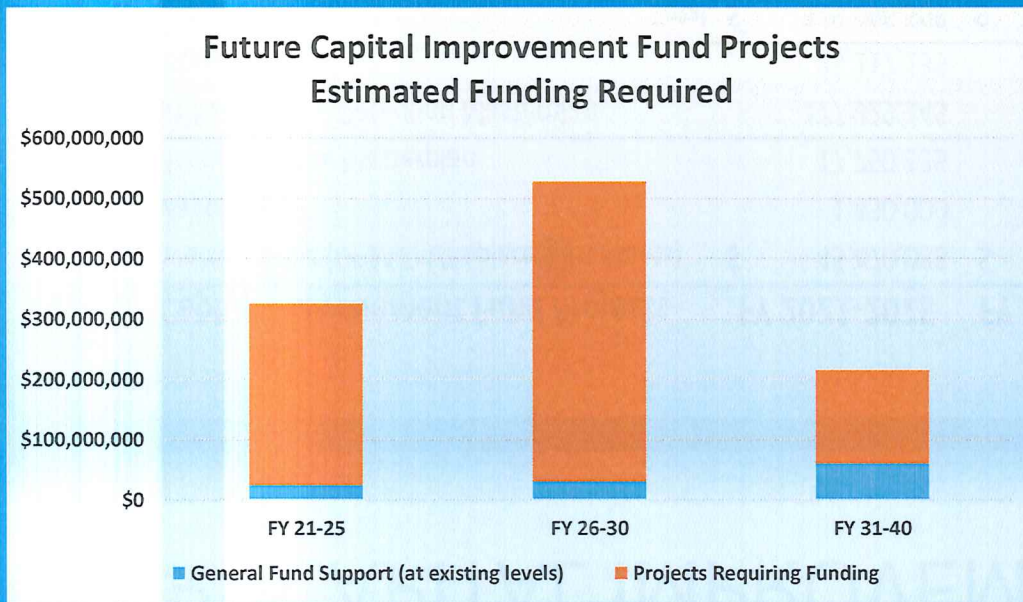
Future Capital Improvement Fund Projects	FY 2021-2025	FY 2026-2030	FY 2031-2040	Estimated
				Total Cost
Capital Improvement Fund (GF Maint/Replace Exist Assets)	\$ 45,470,088	\$ 60,000,000	\$ 120,000,000	\$ 225,470,088
Downtown Masterplan	1,430,000	356,630,178	-	358,060,178
9th Street Admin. Complex Masterplan	17,750,135	9,526,946	1,414,504	28,691,585
911 Parr Sheriff's Office & Detention Masterplan	177,329,145	72,558,050	10,434,970	260,322,165
Libraries Masterplan	83,117,135	28,911,555	83,289,480	195,318,170
<b>Total</b>	<b>\$ 325,096,503</b>	<b>\$ 527,626,729</b>	<b>\$ 215,138,954</b>	<b>\$1,067,862,186</b>

- **Total Estimated Funding Needed in the Next 20 Years is Over \$1 Billion.**
- **These projects are not currently budgeted, and will require funding resources before projects can move forward.**





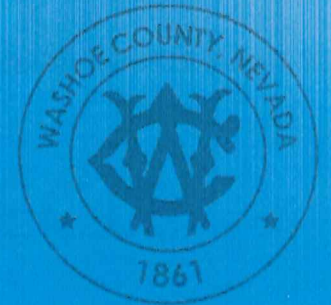
# FUTURE CAPITAL IMPROVEMENT FUND PROJECTS



Estimated costs are \$950 million more than funding currently available.

Project prioritization and additional revenue sources needed to pay for projects, and

Even then may not be sufficient to pay for all projects.





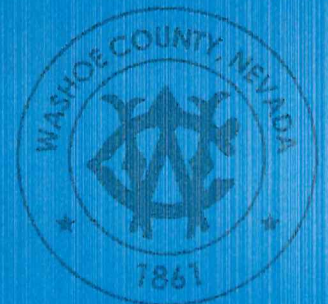
# RESOURCES FOR FUNDING CAPITAL IMPROVEMENTS

## **Pay-as-you Go “Cash”:**

- One-time Resources (fund balance, if available, or monies set aside for projects)
- General Fund Continued Annual Support to Capital Improvement Fund (\$5-\$6M to maintain existing assets)
- Grants (capital construction grants are limited)

## **Other Potential Revenue Sources:**

- Ad Valorem Property Tax rate for debt service
- C-Tax Pledged Revenues
- Sales Taxes for Infrastructure
- Library Expansion Taxes
- Fees (not a significant resource, but could provide a portion of needed revenue)
- Other Taxes (i.e. Supplemental Government Services Tax)





# RESOURCES FOR FUNDING CAPITAL IMPROVEMENTS

## Ad Valorem Debt Rate:

- Revenues can only be used to pay debt service on voter approved bonds.
- Existing ad valorem paid debt outstanding = \$23.4 million, and matures in FY 2030.
- Issuance of additional ad valorem debt would require voter approval.

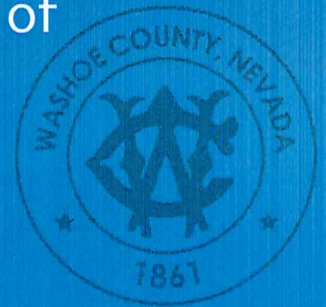




# RESOURCES FOR FUNDING CAPITAL IMPROVEMENTS

## Consolidated-Tax

- County limited to pledge up to 15% of C-Tax revenues (as allowed by NRS 360.698 ) as security for debt.
- Existing C-Tax debt outstanding = \$51.5 million, and matures in FY 2036.
- Issuance of additional C-Tax bonds is dependent upon the 15% of revenues pledged limit, and affordability:
  - FY 2020 C-Tax revenue is budgeted at \$120 million, with \$114 million budgeted to pay for County operations, and \$6 million to pay existing debt service.

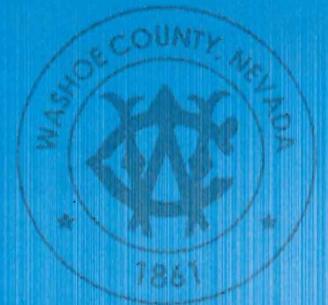




# RESOURCES FOR FUNDING CAPITAL IMPROVEMENTS

## Library Expansion Tax:

- A 1994 voter approved Property Tax override
- Tax period is 30 years, beginning in FY 1995 and ending in FY 2025
- Allowable use is for acquiring, constructing, improving, equipping, operating and maintaining County library facilities
- Would require voter approval by November 2024 to continue the tax for Library purposes



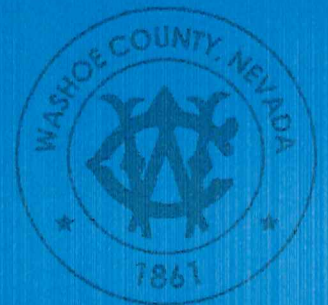


# RESOURCES FOR FUNDING CAPITAL IMPROVEMENTS

## Sales Tax for Infrastructure

Authorized by NRS 377B, 1/8<sup>th</sup> Cent Tax for Infrastructure (BCC imposed by Ordinance 1047 in 1998)

- Restricted use to pay for projects for public safety and/or management of flood plains and flood prevention.
- BCC approves the *plan for expenditure* of proceeds of this tax (last amended in 2009)
- Current debt outstanding = \$27 million, and matures in FY 2036
- Debt paid for construction of Regional Public Safety Training Center, Regional Emergency Operations Center and Truckee River Flood Management Authority (TRFMA) Flood Project, debt matures in 2036.
- After paying debt service, balance of the annual revenue goes to Truckee River Flood Management Authority for Truckee River Flood Management projects costs.
- NRS requires that: on or before the date that the expenditure plan expires BCC shall determine whether necessity exists for continued imposition of this tax

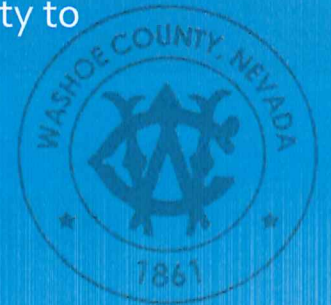




# RESOURCES FOR FUNDING CAPITAL IMPROVEMENTS

## Supplemental Government Services Tax (GST):

- Revenue varies with annual motor vehicle registrations (Great Recession decreased by 24%, or \$3.1M), current estimated gross annual revenue = \$14 million (before deduction for required debt service coverage)
- Legal opinion required to determine if Supplemental GST can be pledged for debt financed projects other than for construction and maintenance of sidewalks, streets and right-of-ways for vehicular traffic (NRS 371.043)
- Previous supplemental GST imposed by BCC in 1991 and ended per AB 471 in 2005
- 2009 legislation broadened allowable uses, and 2011 legislation allowed Washoe County to re-impose Supplemental GST without voter approval
- 2012 advisory ballot question failed with 59.6% "no" votes
- 2016 Citizen Survey:
  - 53% opposed for culture and recreational facilities
  - 46% opposed for senior programs





# EXISTING RESOURCES FOR FUNDING CAPITAL IMPROVEMENTS

Based on the FY 2020 Budget these are the existing revenues for capital improvements:

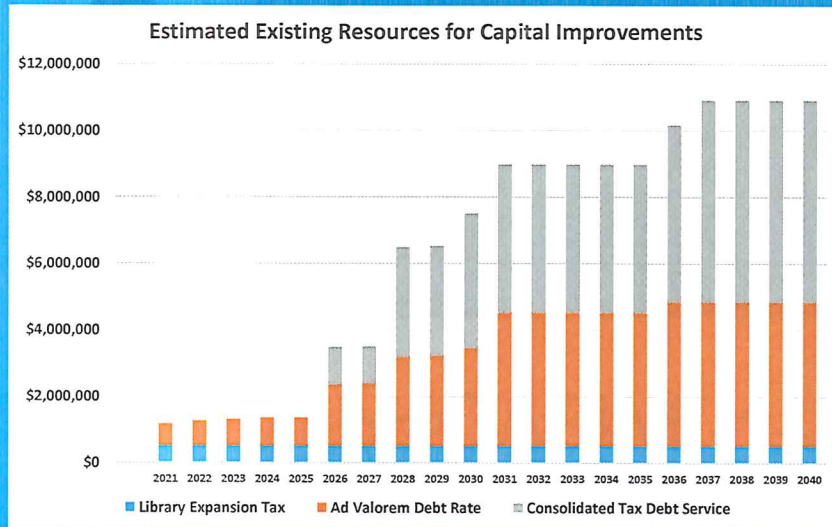
Existing Resources for Capital Improvements	Library Expansion	Ad Valorem Debt	Consolidated	Infrastructure	Total Net
	Tax	Rate	Tax Debt Service	Sales Tax	Available Revenue
Revenue FY 2020	\$ 3,000,000	\$ 3,279,807	\$ 6,077,401	\$ 10,500,000	
Less: Debt Service Commitments	-	3,052,172	6,077,401	1,951,173	
Less: Other Commitments	2,500,000			8,548,827	
<b>Net Available Revenue</b>	<b>\$ 500,000</b>	<b>\$ 227,635</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 727,635</b>



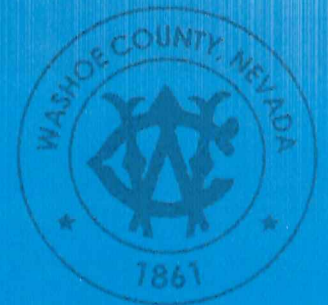


# EXISTING RESOURCES FOR FUNDING CAPITAL IMPROVEMENTS

Estimated existing revenues available for annual funding of capital improvement projects for FY 2021 through FY 2040:



- Existing annual resources are limited over the next 20 years
- Additional funding sources would be needed to accomplish all future capital improvement projects ( est. \$950 Million)

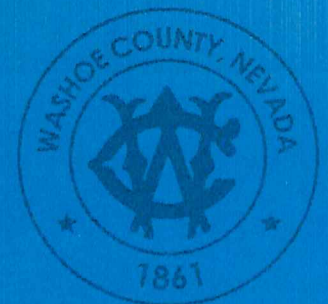




# GOING FORWARD

## Before a Capital Funding Plan/Budget can be Developed Direction is Needed:

- **Recommendation:** Continue to budget General Fund support for maintenance/replacement of existing assets
- **Recommendation:** Further discussion in a strategic planning work session
  - Capital Projects prioritization – additional information needed?
  - Funding Sources – actions to be taken?





# NEXT STEPS

## October – April Capital Budgeting Process

- Departmental project requests and CIP Committee Review
- BCC strategic planning workshop
- Proposed operating and capital budgets presented to BCC

## May 2020:

- BCC Adopts FY 2021 Operating and Capital Improvement Budgets , and FY 2021-2025 Capital Improvement Plan

